

**MISSOURI STATE AUDITOR'S OFFICE  
FISCAL NOTE (22-048)**

**Subject**

Initiative petition from Eric McSwain regarding a proposed constitutional amendment to Article XIV of the Constitution of Missouri. (Received July 15, 2021)

**Date**

August 4, 2021

**Description**

This proposal would amend Article XIV of the Constitution of Missouri.

The amendment is to be voted on in November 2022.

**Public comments and other input**

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education and Workforce Development**, the **Department of Health and Senior Services**, the **Department of Commerce and Insurance**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Malta Bend R-V School District**, **Mehlville School District**, **Wellsville-Middletown R-1 School District**, **State Technical College of Missouri**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, **University of Central Missouri**, **Harris-Stowe State University**, **Lincoln University**, **Missouri State University**, **Missouri Southern State University**, **Missouri Western State University**, **Northwest Missouri State University**, **Southeast Missouri State University**, **Truman State University**, **Missouri Veterans**

**Commission, Missouri Office of Prosecution Services, the Kansas City Board of Police Commissioners, and the Metropolitan Police Department - City of St. Louis.**

## **Assumptions**

Officials from the **Attorney General's office** indicated they expect that, to the extent that the enactment of this proposal would result in increased litigation, they expect that their office could absorb the costs associated with that increased litigation using existing resources. However, if the enactment of this proposal were to result in substantial additional litigation, their office may be required to request additional appropriations.

Officials from the **Department of Agriculture** indicated this petition should not have a fiscal impact on their department.

Officials from the **Department of Economic Development** indicated no impact to their department.

Officials from the **Department of Elementary and Secondary Education** indicated no impact to their department.

Officials from the **Department of Higher Education and Workforce Development** indicated no impact to their department.

Officials from the **Department of Health and Senior Services** indicated:

The initiative petition (IP) makes changes to Section 1 of Article XIV. Some changes would require revising existing rules. Their department anticipates being able to absorb these costs. However, until the fiscal year (FY) 2023 budget is final, their department cannot identify specific funding sources.

The proposed legislation could result in 166 additional full time employees (FTE). 83 FTE will be located in Jefferson City for a total annual cost of \$343,620 (\$18 x 230 sq. ft. x 83).

The proposed legislation could create new small business opportunities in addition to costs associated with a new business in order to be in compliance with the legislation.

The reduction in state revenue will be \$2,780,211 in SFY 2023 and \$3,211,488 in SFY 2024.

Changes to Section 1 of Article XIV that would have fiscal impact on their department include:

## **Revenues**

Section 1.3(12) reduces the annual fee for a patient cultivation card from \$100 to \$25. All other fees would remain the same.

FY 23: \$35,075,151 (2,479 facility licenses annual fees) + \$1,225,767 (389 facility licenses renewal fees) + \$679,141 (184 new application fees) + \$4,457,163 (173,432 patient, caregiver, and patient cultivation) + \$708,897 (4,407 agent ID applications and change requests) + \$8,305,978 (Revenues from Sales Tax)= \$50,452,098.

FY 24\*: \$27,005,174 (1,909 facility licenses annual fees) + \$124,233 (24 facility licenses renewal fees) + \$181,173 (49 new application fees) + \$5,148,589 (200,336 patient, caregiver, and patient cultivation) + \$192,049 (1,190 agent ID applications and change requests) + \$8,305,978 (Revenues from Sales Tax) = \$40,957,197.

\*FY24 facility revenues are reduced to reflect revocation of 619 facilities during Year 2.

The Division of Regulation and Licensure, Section for Medical Marijuana Regulation (DRL SMMR) does not anticipate an increase in medical marijuana sales based on an increase in medical marijuana facilities as the patient population would not increase because of this legislation; therefore, DRL SMMR does not anticipate an increase in tax revenue. There is a strong possibility that tax revenue would in fact decrease since oversupply would cause prices to go down. There is no state comparable to Missouri in both its qualifying conditions and the unlimited licensure proposed in this IP.

The new projected revenues related to patient cultivation applications are \$926,737 (\$3,706,948 less \$2,780,211) for FY2023 and \$1,070,496 (\$4,281,984 less \$3,211,488) for FY2024.

Section 1.3(15) – (17) are deleted, removing DHSS' authority to set limits on the number of licenses granted for medical marijuana facilities. This means their department would be required to license any entity that meets minimum standards for licensure, without regard for demand/supply considerations.

Based on an analysis performed in spring of 2021, their department estimates the fiscal impact of unlimited licensing in Missouri to be:

### **Expenses**

Nine Compliance Inspection Supervisors with an annual salary of \$68,500; supervision of approximately ten Compliance Inspectors each.

Eighty-three Compliance Inspectors with an annual salary of \$55,105; eighty would be needed to maintain the inspection workload of twenty-seven facilities per compliance inspector and three will solely be dedicated to leading facility compliance investigations and revocation actions. The Compliance Inspectors are assumed telecommuters and are expected to travel extensively; it is assumed their travel costs will be \$10,103 annually.

Four Regulatory Auditor Supervisors with an annual salary of \$66,000; supervision of approximately ten Senior Regulatory Auditors.

Forty Senior Regulatory Auditors with an annual salary of \$47,000; process edible product pre-approval applications, licensing review, and investigating business changes and complaints related to minimum licensure requirements.

Three Associate Research/Data Analysts with an annual salary of \$47,000; track and trace compliance audits and investigations.

One Public Health Program Supervisor with an annual salary of \$65,000; supervision of Public Health Program Associates.

Nine Public Health Program Associates with an annual salary of \$38,000; process agent ID and patient applications, customer service telephone calls and email requests.

Eight Special Assistant/Professionals with an annual salary of \$55,000; budgetary oversight, public communication via the webpage and educational materials, internal and external training, contract management, special project coordination, reports, and strategic planning.

Nine Lead Administrative Support Assistants with an annual salary of \$41,000; provide support for the additional staff.

A new workflow management system solution will be required to process, document, and manage compliance and enforcement actions related to the licensees. This type of system is comparable in complexity and availability to one of the systems already utilized via contract for the medical marijuana program. Using that system as a basis for projecting, the new workflow management system would cause a yearly expense of \$548,427.

With these changes, total projected operating costs for FY 23 would be \$29,989,268 and for FY 24 is \$30,043,030. Costs to implement the current IP would be \$805,381 in initial costs and \$16,055,740 in ongoing annual costs by FY 24.

Section 1.4(2)(a) reduces the portion of the Veterans' Health and Care Fund available to DHSS for administering the medical marijuana program from "an amount necessary for the department to carry out this section" to "an amount not to exceed twenty percent of net deposits which is necessary for the department to carry out this section."

### Conclusion

The IP would result in operating costs exceeding funds available (per Section 1.4(2)(a) discussed above) from the Veteran's Health and Care Fund as follows:

Total revenues for the Fund in FY2023 are estimated to be \$50,452,098. Twenty percent of total revenues is estimated at \$10,090,420. With the changes plus all other operating cost they already have, the medical marijuana program's operating costs would be

\$29,989,268. This would create a budget shortfall of approximately \$19,807,848 for FY2023, which would require GR pickup to continue the operations of the program.

Total revenues for the Fund in FY2024 is estimated to be \$40,957,197. Twenty percent of that is \$8,191,439. With the changes, the medical marijuana program's operating costs are \$30,043,030. This would create a budget shortfall of approximately \$21,851,591 for FY2024 and would require GR pickup to continue the operations of the program.

Their department would seek appropriation from General Revenue to cover the operating costs not covered by the Veteran's Health and Care Fund.

They also provided the following information:

ATTACHMENT A

|                             | FY 2023 Fee Schedule |            |             | FY 2023 Number of Projected Licenses |                            |                                |                            | FY 2023 Projected Revenues                                   |  |   |   |   |                         |                          | 20% Operating Cost |
|-----------------------------|----------------------|------------|-------------|--------------------------------------|----------------------------|--------------------------------|----------------------------|--|--|---|---|---|-------------------------|--------------------------|--------------------|
| Type                        | New Application Fee  | Annual Fee | Renewal Fee | Number of Licenses (Renewal)         | Number of Licenses Awarded | Number of New Licenses Awarded | Number of Licenses Revoked | Facility License Annual Fees (Licenses Awarded * Annual Fee) | Facility License Renewal Fees (Licenses * Renewal Fee) | New Application Fees (New Licenses * New Application Fee) | Patient, Caregiver, Patient Cultivation | Agent ID Applications and Change Requests | Revenues from Sales Tax | Total Projected Revenues |                    |
| Cultivation Facility        | 5,176.38             | 25,881.90  | 5,176.38    | 60                                   | 629                        | 47                             | -                          | 16,279,715   | 310,583  | 243,290   |   |   |                         | 16,833,588               | 10,090,419.54      |
| Dispensary Facility         | 3,105.83             | 10,352.76  | 3,105.83    | 192                                  | 1,317                      | 98                             | -                          | 13,634,585   | 596,319  | 304,371   |   |   |                         | 14,535,276               |                    |
| Manufacturing Facility      | 3,105.83             | 10,352.76  | 3,105.83    | 86                                   | 464                        | 34                             | -                          | 4,803,681  | 267,101  | 105,598   |   |   |                         | 5,176,380                |                    |
| Laboratory Testing Facility | 5,176.38             | 5,176.38   | 5,176.38    | 10                                   | 18                         | 1                              | -                          | 93,175   | 51,764   | 5,176   |   |   |                         | 150,115                  |                    |
| Seed to Sale Facility       | 5,176.38             | 5,176.38   | -           | 17                                   | 21                         | 2                              | -                          | 108,704  | -  | 10,353  |   |   |                         | 119,057                  |                    |
| Transportation Facility     | 5,176.35             | 5,176.38   | 5,176.38    | 24                                   | 30                         | 2                              | -                          | 155,291  |  | 10,353  |   |   |                         | 165,644                  |                    |
| Agent ID                    | 77.65                | -          | 77.65       | -                                    | 4,223                      | -                              | N/A                        |  |  |   |   | 327,916                                   |                         | 327,916                  |                    |
| Change Requests             | 2,070.55             | -          | 2,070.55    | -                                    | 184                        | -                              | N/A                        |  |  |   |   | 380,981                                   |                         | 380,981                  |                    |
| Patient                     | 25.89                | -          | 25.89       | 132,391                              | N/A                        | N/A                            | N/A                        |  |  |   | 3,427,603                               |   |                         | 3,427,603                |                    |
| Caregiver                   | 25.89                | -          | 25.89       | 3,972                                | N/A                        | N/A                            | N/A                        |  |  |   | 102,835                                 |   |                         | 102,835                  |                    |
| Patient Cultivator          | 25.00                | -          | 25.00       | 37,069                               | N/A                        | N/A                            | N/A                        |  |  |   | 926,725                                 |   |                         | 926,725                  |                    |
| Projected Sales Tax Revenue |                      |            |             |                                      |                            |                                |                            |  |  |   |   |   | 8,305,978               | 8,305,978                |                    |
| Total                       |                      |            |             | 173,821                              | 6,886                      | 184                            | -                          | 35,075,151   | 1,225,767  | 679,141   | 4,457,163                               | 708,897                                   | 8,305,978               | 50,452,098               |                    |

|                             | FY 2024 Fee Schedule |            |             | FY 2024 Number of Projected Licenses |                            |                                |                            | FY 2024 Projected Revenues                                   |  |   |   |   |                         |                          | 20% Operating Cost |
|-----------------------------|----------------------|------------|-------------|--------------------------------------|----------------------------|--------------------------------|----------------------------|--|--|---|---|---|-------------------------|--------------------------|--------------------|
| Type                        | New Application Fee  | Annual Fee | Renewal Fee | Number of Licenses (Renewal)         | Number of Licenses Awarded | Number of New Licenses Awarded | Number of Licenses Revoked | Facility License Annual Fees (Licenses Awarded * Annual Fee) | Facility License Renewal Fees (Licenses * Renewal Fee) | New Application Fees (New Licenses * New Application Fee) | Patient, Caregiver, Patient Cultivation | Agent ID Applications and Change Requests | Revenues from Sales Tax | Total Projected Revenues |                    |
| Cultivation Facility        | 5,176.38             | 25,881.90  | 5,176.38    | -                                    | 484                        | 13                             | 157                        | 12,526,840   | -  | 67,293  |   |   |                         | 12,594,133               | 8,191,439.33       |
| Dispensary Facility         | 3,105.83             | 10,352.76  | 3,105.83    | -                                    | 1,014                      | 26                             | 329                        | 10,497,699   | -  | 80,752  |   |   |                         | 10,578,450               |                    |
| Manufacturing Facility      | 3,105.83             | 10,352.76  | 3,105.83    | -                                    | 358                        | 9                              | 116                        | 3,706,288  | -  | 27,952  |   |   |                         | 3,734,241                |                    |
| Laboratory Testing Facility | 5,176.38             | 5,176.38   | 5,176.38    | -                                    | 14                         | -                              | 5                          | 72,469   | -  | -   |   |   |                         | 72,469                   |                    |
| Seed to Sale Facility       | 5,176.38             | 5,176.38   | -           | -                                    | 16                         | -                              | 5                          | 82,822   | -  | -   |   |   |                         | 82,822                   |                    |
| Transportation Facility     | 5,176.35             | 5,176.38   | 5,176.38    | 24                                   | 23                         | 1                              | 7                          | 119,057  | 124,233  | 5,176   |   |   |                         | 248,466                  |                    |
| Agent ID                    | 77.65                | -          | 77.65       | 1,140                                | -                          |                                | N/A                        | -  | -  |   |   | 88,521                                    |                         | 88,521                   |                    |
| Change Requests             | 2,070.55             | -          | 2,070.55    | 50                                   | -                          |                                | N/A                        | -  |  |   |   | 103,528                                   |                         | 103,528                  |                    |
| Patient                     | 25.89                | -          | 25.89       | 152,928                              | N/A                        | N/A                            | N/A                        |  |  |   | 3,959,306                               |   |                         | 3,959,306                |                    |
| Caregiver                   | 25.89                | -          | 25.89       | 4,588                                | N/A                        | N/A                            | N/A                        |  |  |   | 118,783                                 |   |                         | 118,783                  |                    |
| Patient Cultivator          | 25.00                | -          | 25.00       | 42,820                               | N/A                        | N/A                            | N/A                        |  |  |   | 1,070,500                               |   |                         | 1,070,500                |                    |
| Projected Sales Tax Revenue |                      |            |             |                                      |                            |                                |                            |  |  |   |   |   | 8,305,978               | 8,305,978                |                    |
| Total                       |                      |            |             | 201,550                              | 1,909                      | 49                             | 619                        | 27,005,174   | 124,233  | 181,173   | 5,148,589                               | 192,049                                   | 8,305,978               | 40,957,197               |                    |

| FISCAL ESTIMATE WORKSHEET             |      |               | FISCAL NOTE: |             | 22-048IP    |
|---------------------------------------|------|---------------|--------------|-------------|-------------|
| Attachment B                          |      |               | BILL NO:     |             |             |
|                                       |      |               | VHC Fund     |             |             |
|                                       |      |               |              |             |             |
| FUND COSTS BY CATEGORY                |      |               |              |             |             |
| Expenditure by Category               | FTEs | Annual Salary | FY 2022      | FY 2023     | FY 2024     |
| Personnel by Position                 |      |               |              |             |             |
| Compliance Inspection Supervisors     | 9    | \$68,500      | \$0          | \$622,665   | \$628,892   |
| Compliance Inspection                 | 83   | \$55,105      | \$0          | \$4,619,452 | \$4,665,647 |
| Regulatory Auditor Supervisor         | 4    | \$66,000      | \$0          | \$266,640   | \$269,306   |
| Senior Regulatory Auditors            | 40   | \$47,000      | \$0          | \$1,898,800 | \$1,917,788 |
| Associate Research/Data Analyst       | 3    | \$47,000      | \$0          | \$142,410   | \$143,834   |
| Public Health Program Supervisor      | 1    | \$65,000      | \$0          | \$65,650    | \$66,307    |
| Public Health Program Associates      | 9    | \$38,000      | \$0          | \$345,420   | \$348,874   |
| Special Assistant Professional        | 8    | \$55,000      | \$0          | \$444,400   | \$448,844   |
| Lead Administrative Support Assistant | 9    | \$41,000      | \$0          | \$372,690   | \$376,417   |
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|                                       |      | \$0           | \$0          | \$0         | \$0         |
|                                       |      | \$0           | \$0          | \$0         | \$0         |
|                                       |      | \$0           | \$0          | \$0         | \$0         |
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|                                       |      | \$0           | \$0          | \$0         | \$0         |
|                                       |      | \$0           | \$0          | \$0         | \$0         |
|                                       |      | \$0           | \$0          | \$0         | \$0         |
|                                       |      | \$0           | \$0          | \$0         | \$0         |
|                                       |      | \$0           | \$0          | \$0         | \$0         |
|                                       |      | \$0           | \$0          | \$0         | \$0         |
|                                       |      | \$0           | \$0          | \$0         | \$0         |
|                                       |      | \$0           | \$0</        |             |             |

| FISCAL ESTIMATE WORKSHEET          |             |              |                  |         |              | 22-048IP     |
|------------------------------------|-------------|--------------|------------------|---------|--------------|--------------|
|                                    |             |              |                  |         |              | 0            |
|                                    |             |              |                  |         |              | VHC Fund     |
| FUND COSTS BY CATEGORY             |             |              |                  |         |              |              |
| Expenditure by Category            | BOBC        | Units        | Unit Cost        | FY 2022 | FY 2023      | FY 2024      |
| Equipment by Item                  |             |              |                  |         |              |              |
| Desk Chair                         | 580         | 166          | \$596            | \$0     | \$98,936     |              |
| Side Chair                         | 580         | 166          | \$314            | \$0     | \$52,124     |              |
| Desk                               | 580         | 97           | \$601            | \$0     | \$58,297     |              |
| File Cabinet                       | 580         | 166          | \$599            | \$0     | \$99,434     |              |
| Calculator                         | 190         | 166          | \$20             | \$0     | \$3,320      |              |
| Cubicle                            | 580         | 69           | \$6,800          | \$0     | \$469,200    |              |
| Telephone                          | 340         | 166          | \$145            | \$0     | \$24,070     |              |
|                                    |             |              |                  |         |              |              |
| <b>TOTAL EQUIPMENT</b>             |             |              |                  | \$0     | \$805,381    | \$0          |
| <b>Expenses</b>                    | <b>BOBC</b> | <b>Units</b> | <b>Unit Cost</b> |         |              |              |
| Travel                             | 140         | 83           | \$10,103         | \$0     | \$859,513    | \$881,001    |
| Travel                             | 140         | 53           | \$5,103          | \$0     | \$277,220    | \$284,151    |
| Fleet                              | 560         | 166          | \$81             | \$0     | \$13,782     | \$14,127     |
| Supplies                           | 190         | 166          | \$238            | \$0     | \$40,496     | \$41,508     |
| Telecommunications                 | 340         | 166          | \$294            | \$0     | \$50,024     | \$51,275     |
| Maintenance and Repair             | 430         | 166          | \$36             | \$0     | \$6,125      | \$6,279      |
| Workflow Mgmt System               |             | 1            | \$548,427        | \$0     | \$548,427    | \$576,191    |
| Vet's Commission Transfr           |             | 1            | \$0              | \$0     | \$0          | \$0          |
| Projected Current Operation Cost   |             | 1            | \$13,313,304     |         | \$13,313,304 | \$13,987,290 |
| <b>RENT:</b>                       |             |              |                  |         |              |              |
| St. Louis/Metro (\$21)             | 680         |              | \$4,830          | \$0     | \$0          | \$0          |
| Large City (\$18)                  | 680         | 83           | \$4,140          | \$0     | \$352,211    | \$361,016    |
| Out State (\$14)                   | 680         |              | \$3,220          | \$0     | \$0          | \$0          |
|                                    |             |              | \$0              | \$0     | \$0          | \$0          |
|                                    |             |              | \$0              | \$0     | \$0          | \$0          |
| <b>TOTAL EXPENSE</b>               |             |              |                  | \$0     | \$15,461,102 | \$16,202,838 |
| <b>TOTAL EQUIPMENT AND EXPENSE</b> |             |              |                  | \$0     | \$16,266,483 | \$16,202,838 |
| <b>Local Assistance</b>            |             |              |                  | \$0     | \$0          | \$0          |
| <b>Other Costs ( )</b>             |             |              |                  | \$0     | \$0          | \$0          |

|  |                |                       |                       |
|--|----------------|-----------------------|-----------------------|
| <b>FISCAL ESTIMATE WORKSHEET</b>         |                |                       | <b>22-048IP</b>       |
|  |                |                       | <b>0</b>              |
|  |                |                       | <b>VHC Fund</b>       |
| <b>SUMMARY OF FUND COSTS</b>             |                |                       |                       |
| <b>I. Fund Costs by Category</b>         | <b>FY 2022</b> | <b>FY 2023</b>        | <b>FY 2024</b>        |
| Salaries                                 | \$0            | \$8,778,127           | \$8,865,908           |
| Fringe Benefits                          | \$0            | \$4,944,658           | \$4,974,284           |
| Equipment and Expense                    | \$0            | \$16,266,483          | \$16,202,838          |
| Local Assistance                         | \$0            | \$0                   | \$0                   |
| Other Fund Costs                         | \$0            | \$0                   | \$0                   |
| <b>TOTAL FUND COSTS - ALL CATEGORIES</b> | <b>\$0</b>     | <b>\$29,989,268</b>   | <b>\$30,043,030</b>   |
| <b>II. Fund Revenue Sources</b>          |                |                       |                       |
| Taxes                                    | \$0            | \$0                   | \$0                   |
| Fines                                    | \$0            | \$0                   | \$0                   |
| Administrative Sanctions                 | \$0            | \$0                   | \$0                   |
| Other Sources ( )                        | \$0            | \$0                   | \$0                   |
| <b>TOTAL FUND REVENUE - ALL SOURCES</b>  | <b>\$0</b>     | <b>\$0</b>            | <b>\$0</b>            |
| <b>III. Cost Avoidance (Savings)</b>     |                |                       |                       |
| Salaries                                 | \$0            | \$0                   | \$0                   |
| Fringe Benefits                          | \$0            | \$0                   | \$0                   |
| Equipment and Expense                    | \$0            | \$0                   | \$0                   |
| Other Sources ( )                        | \$0            | \$0                   | \$0                   |
| <b>TOTAL FUND SAVINGS</b>                | <b>\$0</b>     | <b>\$0</b>            | <b>\$0</b>            |
| <b>ESTIMATED NET EFFECT ON FUND</b>      | <b>\$0</b>     | <b>(\$29,989,268)</b> | <b>(\$30,043,030)</b> |

Officials from the **Department of Commerce and Insurance** indicated this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposal creates no direct obligations or requirements to their department that would result in a fiscal impact. However, the impact on the demand for substance use disorder treatment is unknown. Their department sees the legalization of marijuana as a broader public health issue, especially for children.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

Officials from the **Department of Corrections** indicated no fiscal impact.

Officials from the **Department of Labor and Industrial Relations** indicated they anticipate no fiscal impact for this initiative petition proposing to amend Article XIV.

Officials from the **Department of Revenue** indicated:

This is an initiative petition that would go to the vote of the people at the November 2022 general election. If this is not adopted by the people, this would not have a fiscal impact.

Should this be adopted at the November 2022 election, by the time certification of the election occurs, it is assumed this constitutional amendment would have a January 1, 2023 effective date.

## **Section A**

This proposal states that this constitutional amendment is revising the existing Article XIV regarding medical marijuana use.

### **Section 1 Medical Marijuana Laws**

The existing medical marijuana laws are modified to change the definition of marijuana and to expand the number of primary caregivers a person may have. Additionally it changes the requirements that allow medical marijuana patients to cultivate their own marijuana plants by increasing the number of plants they can cultivate. By increasing the number of plants that can be grown by an individual, it may reduce the amount of medical marijuana sold at a licensed facility.

Currently the number of medical marijuana facilities that can be licensed is limited. This proposal removes those limits. Removing the limits and increasing the number of facilities could potentially increase the amount of medical marijuana tax revenue collected.

Their department is unable to determine if these changes will positively or negatively impact the amount of tax collected under the medical marijuana laws.

For informational purposes, medical marijuana has a tax of 8.225% that is distributed as:

Missouri Veterans Health Care Fund (4%)  
General Revenue (3%)  
School Districts Trust Fund (1%)  
Conservation Commission 0.125%)  
Parks, Soil & Water (0.1%)

Officials from the **Department of Public Safety - Office of Director** indicated the Missouri Veterans Commission has addressed their fiscal concerns in a separate response to the State Auditor's Office. They indicated there is no impact for the Department of Public Safety, Director's Office.

Officials from the **Department of Social Services** indicated this will have no fiscal impact for their department.

Officials from the **Governor's office** indicated this proposal establishes new constitutional regulations relating to the sale of cannabis and should not fiscally impact their office.

Officials from the **House of Representatives** indicated no fiscal impact.

Officials from the **Department of Conservation** indicated there is no anticipated fiscal impact (cost or savings) to their department associated with this proposal.

Officials from the **Department of Transportation** indicated this initiative petition should not have a fiscal impact to their department/Missouri Highway and Transportation Commission. It does not mention expungement of marijuana related convictions.

Officials from the **Office of Administration** indicated Article XIV, Section 1.3(1)(h) and (15-17) are removed which would eliminate the Department of Health of Senior Services (DHSS)-imposed facility license caps likely resulting in an increase in total state revenue (TSR) from additional facilities applying for licensure. Article XIV, Section 1.3(12) would reduce the annual cultivation fee from \$100 per year to \$25 per year. Article XIV, Section 1.4(2)(a) would limit the amount of funds to be kept by the Department of Health and Senior Services (DHSS) for the administration of the medical marijuana program to 20% of net deposits into the Veterans Health and Care Fund. The language is unclear as to what constitutes net deposits. Budget and Planning (B&P) defers to DHSS for an impact on these provisions.

B&P notes that medical marijuana facilities are charged the following fees under Article XIV, however the annual fees have been increased by DHSS since inception as permitted:

- medical marijuana cultivation facility: \$5,000 application fee and \$25,000 annual fee (\$25,933.05 for FY 22)
- medical marijuana dispensary facility: \$3,000 application fee and \$10,000 annual fee (\$10,373.22 for FY 22)

- medical marijuana infused-products manufacturing facility: \$3,000 application fee and \$10,000 annual fee (\$10,373.22 for FY 22).

Article XIV Section 1.3(2)(h) requires that all medical marijuana employees, owners, officers, and other individuals affiliated with the business to undergo a fingerprint-based criminal background check. The removal of the license caps on medical marijuana facilities may increase the number of individuals needing these checks. The Missouri State Highway Patrol (MSHP) Criminal Justice Information Services (CJIS) Division processes all state and federal fingerprint background checks. The CJIS has the following fee structure for background checks:

|             |                |
|-------------|----------------|
| State fee:  | \$20.00        |
| Vendor Fee: | \$8.50         |
| FBI fee:    | <u>\$13.25</u> |
| Total fees: | \$41.75        |

The state retains the \$20 state fee and \$2 of the FBI fee (\$22 total retained by the state). All fees collected will be deposited in the MSHP Criminal Records System Fund. MSHP verified that over 90% of background checks are conducted using third party vendor, IDEMIA, who charges the applicant an \$8.50 fee which is kept by IDEMIA. The applicant pays the full fee of \$41.75 to the vendor and MSHP then collects the full state and FBI fees (\$33.25) from the vendor each month. The FBI bills MSHP monthly, and MSHP pays the FBI their portion of the FBI fee out of the MSHP Criminal Records System Fund.

Officials from the **Office of State Courts Administrator** indicated there is no fiscal impact on the courts.

Officials from the **Missouri Senate** indicated they anticipate no fiscal impact.

Officials from the **Secretary of State's office** indicated each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Referendums are submitted to the people at the next general election. Article III section 52(b) of the Missouri Constitution authorizes the general assembly to order a special election for measures referred to the people. If a special election is called to submit a Referendum to a vote of the people, Section 115.063.2 RSMo. requires the state to pay the costs. The cost of the special election has been estimated to be \$7 million based on the cost of the 2020 Presidential Preference Primary.

Their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot

measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

In FY19, over \$5.8 million was spent to publish the full text of the measures for the August and November elections. Their office estimates \$75,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the August 2018 ballot.

Their office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, they reserve the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Officials from the **Office of the State Public Defender** indicated no fiscal impact on their office.

Officials from the **State Treasurer's office** indicated there is a tax and a variety of fees imposed in this petition. Once in operation, marijuana businesses have had difficulties obtaining and maintaining bank accounts due Federal law and regulations. Their office and the Department of Revenue have explored options to handle large amounts of cash from licensed marijuana businesses as the Department of Revenue may see many of these taxes paid in cash. Changes in security measures and collection points may be needed as the Department of Revenue, the Department of Health and Senior Services, and the Department of Labor and Industrial Relations do not currently receive large amounts of cash.

The changes in this initiative petition may increase the potential amount of receipts in cash.

They are unable to determine the fiscal impact to their office.

Officials from **Clay County** indicated they estimate no fiscal impact as a result of this initiative petition.

Officials from **Greene County** indicated there is anticipated costs to the County of Greene for this initiative petition. To help better fully understand the fiscal impact would require a very detailed study to give the best opportunity to understand the impact to law enforcement, prosecutors, and the circuit courts within the proposed changes of this initiative petition if the statute is not followed by the qualifying patient growing more than the allowed 50 square feet of canopy growing space.

Officials from **St. Louis County** indicated the fiscal impact, if any, is too remote or indirect to calculate.

Officials from the **City of Kansas City** indicated this petition would have no fiscal impact on their city.

Officials from **Metropolitan Community College** indicated no fiscal impact to their college.

Officials from the **Missouri Veterans Commission** indicated the following:



## **MISSOURI VETERANS COMMISSION**

205 Jefferson Street, P.O. Drawer 147, Jefferson City, MO 65102-0147  
Telephone: (573) 751-3779      [www.mvc.dps.mo.gov](http://www.mvc.dps.mo.gov)      Fax: (573) 751-6836

July 15, 2021

The Honorable John R. Ashcroft  
Secretary of State  
600 W. Main Street  
Jefferson City, MO 65101

Dear Secretary of State Ashcroft,

Initiative Petition 2022-048 (hereinafter, the Petition) will have a disastrous fiscal impact upon the Missouri Veterans Commission. Under the existing medical marijuana program (Article XIV of the Missouri Constitution), we anticipate receiving \$2,529,753 in FY22 and \$2,929,271 in FY23 from the tax revenues generated from the retail sales of medical marijuana. The Petition makes significant changes to that program which would adversely impact the Commission.

Specifically, the existing medical marijuana program establishes a 4% tax on all retail sales of medical marijuana and allocates to the Commission all of those proceeds minus 5% to the Department of Revenue and an amount to the Department of Health and Senior Services necessary to defray their costs in regulating the program. The Petition makes no changes to this arrangement. However, the Petition proposes a significant change to paragraph 3(12) to dramatically expand the rights of patients to cultivate their own marijuana which is not subject to taxation. Therefore, should the Petition become law, we anticipate a significant decrease in tax revenues allocated to the Commission through the Veterans Health and Care Fund.

In closing, Initiative Petition 2022-048 will adversely impact the ability of the Missouri Veterans Commission to serve the veterans of Missouri for the reasons set forth above. If I can be of any further assistance on this issue, please contact me at (573) 522-4224 at your convenience.

Sincerely,

A handwritten signature in blue ink that reads "Scotty L. Allen".

Scotty L. Allen  
General Counsel  
Missouri Veterans Commission

The State Auditor's office did not receive a response from **Adair County, Boone County, Callaway County, Cass County, Cole County, Jackson County, Jasper County, St. Charles County, Taney County, the City of Cape Girardeau, the City of Columbia, the City of Jefferson, the City of Joplin, the City of Kirksville, the City of Mexico, the City of Raymore, the City of St. Joseph, the City of St. Louis, the City of Springfield, the City of Union, the City of Wentzville, the City of West Plains, Cape Girardeau 63 School District, Hannibal 60 School District, Malta Bend R-V School District, Mehlville School District, Wellsville-Middletown R-1 School District, State Technical College of Missouri, University of Missouri, St. Louis Community College, University of Central Missouri, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, Truman State University, Missouri Office of Prosecution Services, the Kansas City Board of Police Commissioners, and the Metropolitan Police Department - City of St. Louis.**

### **Fiscal Note Summary**

State governmental entities estimate initial costs of \$800,000, ongoing costs of \$16 million annually by 2024, and an unknown reduction in revenues that could be significant totaling at least \$3 million annually by 2024. Local governments estimate no costs or savings.